



**Congressional
Research Service**

Informing the legislative debate since 1914

H.R. 4674, the College Affordability Act: Proposed Reauthorization of the Higher Education Act, Summary of Major Provisions

January 7, 2020

Congressional Research Service

<https://crsreports.congress.gov>

R46176

CRS REPORT

Prepared for Members and
Committees of Congress



R46176

January 7, 2020

Alexandra Hegi
Analyst in Social Policy

Benjamin Collins
Analyst in Labor Policy

H.R. 4674, the College Affordability Act: Proposed Reauthorization of the Higher Education Act, Summary of Major Provisions

The Higher Education Act of 1965 (HEA; P.L. 89-329, as amended) authorizes programs and activities to provide support to individuals who are pursuing a postsecondary education and to institutions of higher education (IHEs). During the 116th Congress, the House Committee on Education and Labor marked up and ordered to be reported the College Affordability Act (H.R. 4674), which would provide for the comprehensive reauthorization of most HEA programs.

This report organizes the changes proposed by H.R. 4674 into seven themes:

Expanding the availability of financial aid to postsecondary students. This would primarily be accomplished by increasing funding available through grant programs and by expanding student aid eligibility criteria. This includes increasing the total maximum Pell Grant award and expanding Pell Grant eligibility to new subsets of students, increasing funding for existing student aid programs, creating a new Direct Perkins Loans program, and modifying the need assessment and Free Application for Federal Student Aid filing process.

Instituting borrower-focused student loan reforms. This set of proposed changes aims to ease a borrower's student loan burden. It includes amending loan terms and conditions to be more generous once an individual has entered repayment on his or her loan, modifying and making efforts to streamline student loan administrative procedures, and expanding the availability of student loan refinancing options.

Modifying educational, financial, and other institutional accountability requirements for receipt of federal funds. With respect to requirements IHEs must meet to participate in the Title IV federal student aid programs, these proposed changes include revising accreditation requirements, adjusting current participation metrics, and creating new participation metrics. They also include addressing regulatory requirements of Title IX of the Education Amendments of 1972, which prohibits discrimination on the basis of sex in educational programs or activities receiving federal funds.

Revising public accountability, transparency, and consumer information requirements. This would primarily be accomplished by providing consumers with additional and more nuanced information to make more informed college-going and student loan borrowing decisions. Proposed changes include repealing the student unit record system ban and requiring annual student loan counseling.

Expanding academic and personal supports to specific student populations. Proposed changes include creating several new programs and reauthorizing and increasing the authorization of appropriations for several existing programs, such as TRIO and Child Care Access Means Parents in School.

Increasing financial support to IHEs, focusing on minority-serving institutions. These proposals involve reauthorizing and increasing the authorization of appropriations for numerous institutional support programs.

Creating new grant programs for states and IHEs to reduce students' postsecondary costs. This would be accomplished by authorizing grants to support a federal-state partnership to provide tuition-free community college.

Contents

Introduction and Legislative Context	1
Key Themes in H.R. 4674, as Ordered Reported with Amendments	1
Expanding the Availability of Financial Aid to Postsecondary Students.....	2
Expansion of Pell Grants.....	2
Increase of Total Maximum Pell Grant.....	2
Pell Eligibility Expansions.....	3
Job Training Pell Grants.....	3
Creation of Direct Perkins Loan Program.....	4
Modifications to Campus-Based Grant Programs.....	5
Federal Supplemental Educational Opportunity Grant (FSEOG) Program.....	5
Federal Work-Study (FWS) Programs	6
Modifications to Need Assessment and the Free Application for Federal Student Aid (FAFSA) Process.....	7
Expansion of Federal Student Aid to Certain Noncitizen Students.....	7
Instituting Borrower-Focused Student Loan Reforms.....	8
Provision of More Generous Loan Repayment Terms and Conditions.....	9
Elimination of Loan Origination Fees	9
Streamlining Loan Repayment Plans.....	9
Reducing Interest Accrual and Capitalization.....	10
Expansion of Loan Discharge and Loan Forgiveness Benefits.....	11
Modification to Student Loan Administrative Processes	12
Expansion of Loan Refinancing.....	13
Modifying Institutional Accountability Requirements for Receipt of Federal Funds	14
Educational Accountability	14
Accreditation.....	14
Establishment and Revision of Accountability Metrics	15
Fiscal Accountability.....	16
Title IX of the Education Amendments of 1972	17
Revising Public Accountability, Transparency, and Consumer Information Requirements	17
Expanding Student Services for Specific Populations	18
Creation of New Programs	18
Extensions of Existing Programs	19
Expanding Federal Assistance to Support to IHEs	19
Creating New Grants to States and Institutions to Reduce Students' Postsecondary Costs (America's College Promise)	20
Grants to Support Tuition-Free Community College	21
Funding, Allotments, and Nonfederal Share	21
Requirements for Participating States.....	21
Grants for Historically Black Colleges and Universities, Tribally Controlled Colleges and Universities, and Minority-Serving Institutions to Reduce or Waive Tuition	22
Additional Grants	22

Contacts

Author Information.....	23
-------------------------	----

Introduction and Legislative Context

The Higher Education Act of 1965 (HEA; P.L. 89-329, as amended)¹ authorizes programs and activities to provide support to individuals who are pursuing postsecondary education and to institutions of higher education (IHEs). The HEA was last comprehensively reauthorized by the Higher Education Opportunity Act of 2008 (HEOA; P.L. 110-315). The HEOA extended the authorization of appropriation of funds for most HEA programs through FY2014, while the General Education Provisions Act (GEPA) provided an extension of that authority for an additional year (through FY2015). Many HEA programs have continued beyond FY2015 with funding provided under a variety of appropriations measures and continuing resolutions.

During the 116th Congress, the House Committee on Education and Labor marked up and ordered to be reported the College Affordability Act (CAA; H.R. 4674). The bill would provide for the comprehensive reauthorization of most HEA programs, create a number of new postsecondary education programs, and address certain issues related to higher education but separate from the HEA. In general, for programs with discretionary funding H.R. 4674 would authorize the appropriation of funds in specific, as opposed to indefinite, amounts for each year in which funding would be authorized to be provided.

The Congressional Budget Office (CBO) estimates that the enactment of H.R. 4674 would increase mandatory spending outlays by approximately \$161 billion in the 5-year period from FY2020 to FY2024 and by about \$332 billion in the 10-year period from FY2020 to FY2029 period.² In the 10-year estimate, about half the mandatory spending increase would result from changes to the federal student loans programs and about a quarter of the increase would result from changes to the Pell Grant program. CBO further estimates that the enactment of H.R. 4674 would increase discretionary spending outlays by about \$149 billion in the 5-year period from FY2020 to FY2024. This largely reflects the extension of periods of authorized appropriations for existing programs. CBO did not make a 10-year estimate for discretionary spending.

This report focuses on the key themes in H.R. 4674 and describes major changes proposed in the bill that are representative of those themes. It aims to provide a general understanding of the primary proposals of H.R. 4674. The report does not aim to provide a comprehensive analysis of the bill nor of technical changes that would be made by it.³

Key Themes in H.R. 4674, as Ordered Reported with Amendments

H.R. 4674, as ordered to be reported on October 31, 2019, would provide for the comprehensive reauthorization of the HEA, amending numerous programs and activities that make up a large portion of the federal effort to support postsecondary education. Taken collectively, the changes that would be made by H.R. 4674 reflect several key themes: (1) expanding the availability of financial aid to postsecondary students; (2) implementing borrower-focused student loan reforms; (3) modifying institutional accountability requirements for receipt of federal funds; (4) revising public accountability, transparency, and consumer information requirements; (5) expanding

¹ For a description of HEA provisions, see CRS Report R43351, *The Higher Education Act (HEA): A Primer*.

² Congressional Budget Office (CBO), “H.R. 4674, College Affordability Act,” cost estimate, December 10, 2019.

³ The text of H.R. 4674 and amendments adopted during the markup are available at House Education and Labor Committee, “Markup: H.R. 4674, College Affordability Act,” <https://edlabor.house.gov/hearings/hr-4674-college-affordability-act>.

student services for specific populations; (6) expanding federal assistance to provide support to IHEs; and (7) creating new grant programs for states and institutions to reduce students' postsecondary costs. Each of these themes is discussed in the text that follows.

Expanding the Availability of Financial Aid to Postsecondary Students

Title IV of the HEA authorizes a group of federal student aid programs that provide aid to eligible individual students through grant and loan programs and work-study assistance. H.R. 4674 would expand aid availability in a number of ways, with considerable emphasis placed on increasing funding made available through grant programs. Some provisions in H.R. 4674 would increase aid availability by expanding eligibility.

Expansion of Pell Grants

HEA Title IV, Part A authorizes Pell Grants—financial need-based grants that are available to eligible undergraduate students.⁴ Student Pell Grant eligibility is determined on a sliding scale, based on a student's expected family contribution (EFC).⁵ The Pell Grant program is the largest grant program authorized in Title IV in terms of both the number of grants (about 7.1 million in award year [AY] 2017-2018) and the total awards (about \$28.7 billion in AY2017-2018).⁶ The Pell Grant program is often referred to as a quasi-entitlement program, through which all eligible applicants receive grants.

Generally, the maximum Pell Grant a full-time, full-academic-year student can receive is the difference between the total maximum Pell Grant (\$6,345 in AY2020-2021) and the student's EFC.⁷ A full-time, full-academic-year student who has an EFC of zero would be eligible for the total maximum grant. For a student who enrolls on a less-than-full-time basis, his or her maximum scheduled award is ratably reduced. To receive a Pell Grant, a student must be enrolled in an eligible program at an eligible IHE.

H.R. 4674 would increase the total maximum Pell Grant and would expand the population of eligible students and the types of eligible educational programs. The bill would also permanently authorize discretionary appropriations for the Pell Grant program.⁸

Increase of Total Maximum Pell Grant

The total maximum Pell Grant is the sum of a mandatory add-on award amount and a discretionary award amount. The mandatory add-on award is an amount established by the HEA

⁴ For additional information about the Pell Grant program, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

⁵ The expected family contribution is calculated on the basis of one of three formulas in the HEA. For more information, see CRS Report R44503, *Federal Student Aid: Need Analysis Formulas and Expected Family Contribution*.

⁶ See Department of Education, "Federal Pell Grant Program 2017-2018 End of Year Report," Table 016, <https://www2.ed.gov/finaid/prof/resources/data/pell-data.html>.

⁷ A Pell Grant may not exceed the student's cost of attendance.

⁸ Under current law, the mandatory funding that supports Pell Grants is already permanently authorized and appropriated.

and funded by a permanent, indefinite mandatory appropriation. The discretionary award amount is specified in annual appropriations laws.

Under current law, in the upcoming award year (AY2020-2021) the total maximum Pell Grant will be \$6,345. H.R. 4674 would, on the whole, increase the mandatory add-on award levels in AY2021-2022 and in each award year thereafter.⁹ For AY2021-2022, the mandatory add-on award would be \$1,685, an increase of \$625 from \$1,060 in AY2020-2021; thus, the total maximum grant amount would be \$6,970 assuming the discretionary award level were the same as provided under current law in AY2020-2021. H.R. 4674 would further increase the total maximum grant by the rate of inflation in each year following AY2021-2022, assuming the discretionary award levels were not lower than the preceding year. The increased award amounts would be funded by corresponding increases in mandatory appropriations.

There are two primary effects of an increase to the total maximum Pell Grant:

1. Currently eligible students would be eligible for a larger Pell Grant. Most full-time, full-year recipients would be eligible for a Pell Grant that is up to \$625 higher in AY2021-2022 compared to AY2020-2021. Students who are not full-time, full-year would qualify for smaller increases.
2. A portion of students whose EFCs would have been too high to qualify for a Pell Grant may become newly Pell-eligible.

Pell Eligibility Expansions

H.R. 4674 would expand the availability of Pell Grants in several other ways, including the following:

- **Increase of period of eligibility (lifetime eligibility limit).** Under current law, eligible students may receive Pell Grants for up to 12 full-time semesters (or the equivalent). H.R. 4674 would increase this limit to 14 full-time semesters (or the equivalent).
- **Pell Grants to incarcerated students.** H.R. 4674 would eliminate the provision in current law that prohibits persons incarcerated in federal and state facilities from receiving a Pell Grant, creating Pell eligibility for incarcerated and civilly committed persons. H.R. 4674 would restrict such persons from receiving Pell Grants while attending proprietary IHEs.
- **Pell Grants to graduate students.** Under current law, Pell Grants are limited to undergraduate students and students in some postbaccalaureate teacher education programs. H.R. 4674 would, in some cases, permit graduate students who received Pell Grants as undergraduates and have not exhausted their lifetime Pell Grant eligibility to receive Pell Grants at public and nonprofit IHEs.

Job Training Pell Grants

Under current law, Pell Grants are typically limited to programs of at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours offered over a minimum of at least 15 weeks. H.R. 4674 would create a new category of “Job Training Federal Pell Grants” that could be applied to shorter programs of between 150 and 600 hours and between 8 and 15 weeks. To qualify for the new grants, a training program would need to meet the following criteria:

⁹ A discretionary award amount below \$6,820 could result in the mandatory add-on award not increasing every year.

- Demonstrate alignment with “high-skill, high-wage, or in-demand” sectors or occupations, and meet the hiring requirements of employers in those sectors or occupations.
- Prepare students to pursue related certificate or degree programs at an IHE by providing academic credit toward a certificate or degree program.
- Be provided by a public or private nonprofit IHE that is an eligible provider under the Workforce Innovation and Opportunity Act (WIOA)¹⁰ and that fulfills additional institutional eligibility requirements related to Secretarial approval, gainful employment, accreditation, and reporting.

In many cases, the shorter term nature of the job training programs may result in a Pell Grant that is for a lesser amount than the total maximum award for a full-year, full-time student. For example, assuming a total maximum Pell Grant of \$6,195 (maximum award for the current 2019-2020 award year), a student with a zero EFC pursuing a 150 clock hour program over 8 weeks would qualify for a Pell Grant of no more than \$1,035, or approximately 17% of the total maximum Pell Grant award, depending on the cost of the program.

Creation of Direct Perkins Loan Program

HEA, Title IV, Part E establishes the operation of the Federal Perkins Loan program. Authorization to make new Perkins Loans to students expired on September 30, 2017. Borrowers of loans previously made through the Perkins Loan program remain responsible for making payments on those loans.¹¹

H.R. 4674 would authorize a new Direct Perkins Loan program, which, although it would share a name and have some similarities with the curtailed Perkins Loan program (which was administered by IHEs as a campus-based program), would be significantly different. The newly created program would be a *direct loan program*, under which the federal government lends directly to students using federal capital and is responsible for loan servicing and collections work (which is performed primarily by contractors).

Under the Direct Perkins Loan program, loans with many of the same terms and conditions as Direct Unsubsidized Loans would be made available to students, with award priority given to students demonstrating exceptional financial need. Undergraduate students would be eligible to borrow up to \$5,500 annually and \$27,500 in the aggregate; graduate and professional students would be eligible to borrow up to \$8,000 annually and \$60,000 in the aggregate through the Direct Perkins Loan Program. Annual and aggregate Direct Perkins Loan limits would be independent of annual and aggregate limits under the Direct Loan program, but aggregate limits would include loans previously made to students under the curtailed Perkins Loan program. Interest rates on Direct Perkins Loans would be fixed at 5% per year.

In general, annual authority to make Direct Perkins Loans to students would be allocated to IHEs via a formula that would consider unmet student need and Pell Grant funds awarded at the IHE. However, H.R. 4674 would authorize a base guarantee for loan authority, equal to the average of

¹⁰ For more information on eligible providers under WIOA, see CRS Report R44252, *The Workforce Innovation and Opportunity Act and the One-Stop Delivery System*.

¹¹ For additional information on the Perkins Loan program, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

an IHE's total principal amount of loans made in academic years 2012-2013 through 2016-2017 under the previously authorized Perkins Loan program.

H.R. 4674 would provide mandatory appropriations for the program, not to exceed \$2.4 billion in "annual loan authority"¹² for AY2021-2022 and for each succeeding fiscal year.

Modifications to Campus-Based Grant Programs

The HEA authorizes two campus-based grant programs that provide federal funds to IHEs that administer the programs and provide institutional funds to match a portion of the federal funds they receive.¹³ The institutions then distribute these funds to students using some discretion but operating within statutorily specified parameters.

H.R. 4674 would make substantial but similar changes to the formulas that are used to distribute federal funds under each of the two campus-based grant programs and would increase the authorized appropriations level for each program.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

HEA, Title IV, Part A authorizes the FSEOG program, which provides funds to IHEs for grants to undergraduate students who demonstrate exceptional financial need. Most IHEs are required to provide matching funds so that the federal share of FSEOG is no more than 75%. In FY2019, FSEOG appropriations totaled \$840 million.¹⁴

Under current law, FSEOG funds are distributed to IHEs using a formula that first distributes funds on the basis of what the IHEs received in past years (their *base guarantee*), with the strongest *base* protection provided for schools that have participated in the program since at least FY1999. The remaining funds are distributed on the basis of the IHEs' proportional shares of eligible undergraduate student need (their *fair share*).

Beginning in FY2021, H.R. 4674 would replace the existing formula with a modified version of the fair share formula that considers unmet student need and Pell Grant funds awarded at the IHE. In FY2021, IHEs would receive the higher of their grant under the new formula or 90% of their FY2020 grant. The percentage would decline in subsequent years, and in FY2026 FSEOG allotments for all IHEs would be based entirely on the new formula. H.R. 4674 would also establish new institutional eligibility criteria that would take into account the proportion of Pell Grant recipients enrolled at an IHE.

H.R. 4674 would increase the authorization of discretionary appropriations to \$1.15 billion in FY2021. The authorization level would then increase by \$150 million per year until reaching \$1.75 billion in FY2025. The authorization level would remain at the FY2025 level for each succeeding fiscal year.

¹² As written, it is unclear whether "annual loan authority" is intended to mean the total amount of Direct Perkins Loans that may be made annually through the program or the total loan subsidy costs associated with making Direct Perkins Loans.

¹³ For additional information about the campus-based programs, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

¹⁴ U.S. Department of Education, FY2020 Congressional Action table, p. 8, <https://www2.ed.gov/about/overview/budget/budget20/20action.pdf>.

Emergency Grant Program

H.R. 4674 would create an emergency grant program for FSEOG-participating IHEs. The program would be funded through a \$12.5 million set-aside from the FSEOG appropriation for FY2021 through FY2026. Most participating IHEs would be required to provide a 50% match to participate in the program. Priority would be given to IHEs at which at least 30% of enrolled students are Pell Grant-eligible. To participate in the program, each IHE would be required, among other things, to provide assurance that emergency grant funds would be used to address “financial challenges that would directly impact the ability of an eligible student to continue and complete [his or her] course of study.”

Federal Work-Study (FWS) Programs

HEA, Title IV, Part C of the HEA authorizes the FWS programs, which provide grants to IHEs to support part-time employment for qualified undergraduate, graduate, and professional students. FWS employment may consist of work at the IHE a student attends; a private nonprofit organization; a federal, state, or local public agency; or a private for-profit organization. In FY2019, FWS appropriations were \$1.13 billion.¹⁵

Under current law, FWS funds are distributed to IHEs using a formula similar to the current-law FSEOG formula, allocating funds on the basis of the *base guarantee* and *fair share* factors. Under H.R. 4674, the FWS formula would be the same as the FSEOG formula. Funds would be distributed based on a modified version of the fair share formula that considers unmet student need and Pell Grant funds awarded at the IHE. In FY2021, IHEs would receive the higher of their grant under the new formula or 90% of their FY2020 grant. The percentage would decline in subsequent years, and in FY2026 FWS allotments for all IHEs would be based entirely on the new formula.

H.R. 4674 would also establish new institutional eligibility criteria that would take into account the proportion of an IHE’s undergraduate student population that are Pell Grant recipients and the proportion of an IHE’s graduate population who have a zero EFC.

H.R. 4674 would increase the authorization of discretionary appropriations to \$1.5 billion in FY2021. The authorization level would increase by \$250 million per year until reaching \$2.5 billion in FY2025. The appropriation level would remain at the FY2025 level for each succeeding fiscal year.

Grants for Improved Institutions

H.R. 4674 would reserve a portion of the FWS appropriation for a new grant program for “improved institutions” on the basis of the share and performance of Pell Grant recipients at the institutions. The amount reserved for this program would be the lesser of (1) 20% of the FWS appropriation in excess of \$700 million or (2) \$150 million. These provisions would take effect two years after enactment of H.R. 4674.

¹⁵ Ibid, p. 8.

Modifications to Need Assessment and the Free Application for Federal Student Aid (FAFSA) Process

Individual eligibility for many student aid programs is contingent on student need. A key factor in determining need is assessing and establishing the ability of a student's family to pay postsecondary education costs. HEA, Title IV, Part F establishes a series of formulas that calculate a student's *expected family contribution* (EFC).¹⁶ The EFC formulas consider financial and personal characteristics of a student's family that are reported on the FAFSA. Students with lower EFCs typically qualify for more need-based aid, and students with a zero EFC qualify for the maximum amount of need-based aid.

H.R. 4674 would make changes to the HEA that could reduce EFC levels and correspondingly increase aid eligibility, particularly for lower-income students. Some provisions in the bill would reduce the amount of information that some students would have to provide when completing the FAFSA. Specific changes include the following:

- **Expansion of automatic zero EFC.** Under current law, some FAFSA applicants may qualify for an automatic zero EFC if they report an adjusted gross income (AGI) level below \$26,000 and meet other criteria. H.R. 4674 would increase the AGI threshold to \$37,000, newly extend automatic zero eligibility to independent students without dependents, and expand the automatic zero EFC to any applicant who received a qualified means-tested benefit in the 24 months prior to application.
- **Creation of FAFSA pathways.** H.R. 4674 would create a system of three pathways in which the amount of financial information a FAFSA filer would be required to provide would be based on the filer's income and the complexity of his or her tax return. Applicants who received a means-tested benefit in the previous 24 months would not be required to provide any additional financial information beyond benefit receipt.
- **One-time FAFSA option.** Under current law, students must file a FAFSA each year that they seek aid. H.R. 4674 would create an option for students who are Pell-eligible in their first year of postsecondary education to decline to file the FAFSA in succeeding years and have their first year's EFC apply. The one-time FAFSA option would apply to the period required for the completion of a student's first undergraduate baccalaureate course of study.
- **Streamlined procedures for foster care and homeless youth.** Under current law, foster care youth and homeless youth qualify as independent students and do not have to report parental income on the FAFSA. H.R. 4674 would expand and streamline the procedures by which qualified youth can establish and verify their status.

Expansion of Federal Student Aid to Certain Noncitizen Students

Under current law, federal student aid is limited to U.S. citizens, lawful permanent residents, and certain eligible noncitizens. Unauthorized immigrants are not eligible for federal student aid.

¹⁶ For additional information on the EFC, see CRS Report R44503, *Federal Student Aid: Need Analysis Formulas and Expected Family Contribution*.

H.R. 4674 would extend eligibility for HEA Title IV student aid to unauthorized individuals who entered the United States when they were younger than age 16 and either earned a high school diploma (or equivalent) or served in the uniformed services for at least four years. The bill would also extend eligibility to individuals who have temporary protected status and to certain unauthorized individuals who have a son or daughter who is a United States citizen or lawful permanent resident.¹⁷

Instituting Borrower-Focused Student Loan Reforms

Title IV of the HEA specifies provisions for the operation of three federal student loan programs: the William D. Ford Federal Direct Loan (Direct Loan) program, the Federal Family Education Loan (FFEL) program, and the Federal Perkins Loan program. Currently, however, new loans are authorized to be made only through the Direct Loan program. The authority to make new loans through the FFEL program expired June 30, 2010, and the authority to make new loans through the Federal Perkins Loan program expired September 30, 2017. While H.R. 4674 would make a variety of student loan reforms that apply to both the FFEL and Direct Loan programs,¹⁸ the discussion herein will focus on the Direct Loan program, as it is the primary federal student loan program currently in operation, is the only program currently making new loans to students and their families, and would be the primary student loan program in operation under the HEA as amended by the CAA.

The Direct Loan program is authorized under HEA, Title IV, Part D, and is the largest federal program that makes available financial assistance to support students' postsecondary educational pursuits. The Direct Loan program is a federal credit program for which permanent indefinite mandatory appropriations are provided for loan subsidy costs, and annual discretionary appropriations are provided for administrative costs. Direct Loans are made to students and their families using funds borrowed by the Department of Education (ED) from the U.S. Treasury. The IHE a student attends originates and disburses Direct Loans, while federal contractors hired by ED perform loan servicing and collection functions.

Several types of loans are made available through the program: Direct Subsidized Loans to undergraduate students, Direct Unsubsidized Loans to undergraduate students and graduate students, Direct PLUS Loans to graduate and professional students and the parents of undergraduate dependent students, and Direct Consolidation Loans, which enable individuals who have previously borrowed federal student loans to combine them into a single new loan. Loan terms and conditions (e.g., interest rates, borrowing limits) are specified in statute and may vary depending on the type of loan borrowed.¹⁹

ED estimates that in FY2020, 15.9 million new loans totaling \$100.2 billion will be made through the Direct Loan program.²⁰ In addition, ED estimates that 755,000 Direct Consolidation Loans

¹⁷ The bill aligns eligibility with parents who would have qualified under the never-implemented Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) policy per a 2014 Department of Homeland Security memo.

¹⁸ The CAA would not authorize new loans to be made under the FFEL program; rather, it would amend the terms and conditions of outstanding FFEL program loans. The CAA would neither authorize new loans to be made under the Perkins Loan program nor make changes to the terms and conditions of outstanding Perkins Loans.

¹⁹ For additional information on Direct Loan terms and conditions, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

²⁰ U.S. Department of Education, *FY2020 Justification of Appropriation Estimates to the Congress*, Volume II, "Student Loans Overview," March 13, 2019, p. Q-25, <https://www2.ed.gov/about/overview/budget/budget20/>

totaling \$46.4 billion will be made to existing borrowers of federal student loans.²¹ As of the end of the third quarter of FY2019, \$1.2 trillion in principal and interest on Direct Loan program loans, borrowed by or on behalf of 34.3 million individuals, remained outstanding.²²

H.R. 4674 would make a variety of borrower-focused reforms to the Direct Loan program. In general, many of these reforms are aimed at easing a borrower's student loan burden by amending loan terms and conditions (including loan repayment and forgiveness options) to be more generous once an individual has entered repayment on his or her loan, modifying and streamlining student loan administrative procedures, and expanding the availability of student loan refinancing options.

Provision of More Generous Loan Repayment Terms and Conditions

Currently, upon entering repayment on a Direct Loan a number of terms and conditions are available to borrowers. Many of these are intended to help borrowers manage their student loan debt, but some could be detrimental in some circumstances. H.R. 4674 would make a variety of changes aimed at making student loan repayment easier and more affordable for borrowers.

Elimination of Loan Origination Fees

Currently, loan origination fees are charged to borrowers of Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. These fees help offset federal loan subsidy costs by passing along some of the costs to borrowers. Loan origination fees are calculated as a proportion of the loan principal borrowed and are deducted proportionately from the proceeds of each loan disbursement to the borrower. Loan origination fees for Direct Subsidized Loans and Direct Unsubsidized Loans made on or after July 1, 2010, equal 1%. Loan origination fees for Direct PLUS Loans equal 4%.²³

H.R. 4674 would eliminate loan origination fees.

Streamlining Loan Repayment Plans

Borrowers may currently choose from among numerous loan repayment plan options, which include five broad categories: standard repayment plans, extended repayment plans, graduated repayment plans, income-driven repayment (IDR) plans, and alternative repayment plans. Several repayment plan variations exist within each of these broad categories.

Under the IDR plans, in general, borrowers make monthly payments equal to one-twelfth of 10% or 15% (depending on the specific plan) of their adjusted gross income (AGI) that exceeds 150%

justifications/q-sloview.pdf.

²¹ Ibid.

²² U.S. Department of Education, Office of Federal Student Aid, Federal Student Aid Data Center, "Federal Student Aid Portfolio Summary," <https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>.

²³ During periods when a budget sequestration order that applies to direct (or mandatory) spending programs, such as the Direct Loan program, is in effect, special rules apply to loan origination fees. In instances where the first disbursement of a loan is made during a period that is subject to a sequestration order, the loan origination fee is required to be increased by the uniform percentage sequestration amount that is applicable to nondefense, mandatory spending programs. For example, for Direct Loans first disbursed between October 1, 2019, and September 30, 2020, a 1.059% origination fee applied to Direct Subsidized Loans and Direct Unsubsidized Loans and a 4.236% origination fee applied to Direct PLUS Loans.

of the federal poverty guideline applicable to their family size. Basing monthly payments on only the portion of a borrower's AGI that is above 150% of the federal poverty guidelines essentially serves as an income protection for borrowers. Under some of the IDR plans, borrowers' monthly payments are capped at the monthly amount they would have paid according to a standard 10-year repayment period, regardless of whether the calculated monthly payment based on their income would have been greater. Borrowers who make payments according to these plans may have any remaining loan balance forgiven after 20 or 25 years (depending on the specific plan) of repayment. The particular repayment plans available to an individual borrower may depend on the type of loan borrowed, the date of becoming a new borrower, or the date of entering repayment status. In general, negative amortization²⁴ is permitted in the IDR plans but not other plans.

H.R. 4674 would establish two new loan repayment plans—a fixed repayment plan and an income-based repayment (IBR) plan. Borrowers of Direct Loans made on or after July 1, 2021, would be required to repay their loans according to only these plans, and certain borrowers of Direct Loans made on or before June 30, 2021, would be permitted to repay according to these plans. The fixed repayment plan proposed under H.R. 4674 would be similar to some of the standard plans currently offered in the Direct Loan program (e.g., providing for fixed monthly payments with loan repayment periods equaling 10 to 25 years, depending on the loan balance). Compared to existing IDR plans, the proposed IBR plan would take a more generous approach toward protecting income from consideration when establishing monthly loan payments for many, but not all, borrowers. Under the proposed IBR plan, a borrower's monthly payments would equal one-twelfth of 10% of the amount (if any) of their adjusted gross (AGI) that exceeds a statutorily specified income protection that is indexed to the federal poverty guidelines. For borrowers with AGIs of \$80,000 or less (or \$160,000 or less for married borrowers), the income protection would equal 250% of the federal poverty guidelines applicable to the borrower's family size. For borrowers with AGIs that exceed \$80,000 (or \$160,000 for married borrowers), the income protection would decrease as his or her AGI increases and would be phased out entirely when the borrower's AGI equals or exceeds \$105,000 (or \$210,000 for married borrowers). For example, a single borrower with an AGI of \$79,000 would pay 10% of his or her AGI that exceeds 250% of the federal poverty guidelines, whereas a single borrower with an AGI of \$81,000 would pay 10% of his or her AGI that exceeds 240% of the federal poverty guidelines. No monthly payment cap would be available under the proposed IBR plan. Under this IBR plan, negative amortization would be permitted and borrowers who make payments for 20 years would be eligible to have any balance that remains forgiven.

Reducing Interest Accrual and Capitalization

Under a limited set of circumstances, the federal government subsidizes (i.e., a borrower is relieved from paying) some or all of the interest that would otherwise accrue on loans made through the Direct Loan program. In general, interest subsidies are largely available for need-based Direct Subsidized Loans (and for the subsidized component of Direct Consolidation Loans), which are currently only being made to undergraduate students.²⁵ Periods in which interest is subsidized on these loans include in-school periods while a borrower is enrolled in an

²⁴ Negative amortization is a period of time during which a borrower's monthly payment amount may be less than the amount of interest that accrues each month on the borrower's loans. It leads to the outstanding balance of principal and interest on the loan increasing over time.

²⁵ Direct Subsidized Loans were available to graduate and professional students for periods of instruction beginning prior to July 1, 2012.

eligible program on at least a half-time basis, during a six-month grace period following enrollment on at least a half-time basis, and during periods of authorized deferment.

For borrowers who may be having trouble making monthly loan payments, periods of deferment and forbearance offer temporary relief from the obligation to make such payments. In general, any interest that accrues during a period of deferment or forbearance is later capitalized (i.e., becomes part of the outstanding principal balance of the loan), which increases the total amount a borrower is required to repay on his or her loan.

H.R. 4674 would make Direct Subsidized Loans available to graduate and professional students enrolled at public and private, nonprofit IHEs for any period of instruction beginning on or after July 1, 2021. The interest rate on Direct Subsidized Loans to graduate students would be the same as the interest rate on Direct Unsubsidized Loans for graduate and professional students. The bill would also amend the HEA to provide that interest that accrues on any type of Direct Loan during most periods of deferment or forbearance shall not be capitalized. That is, the interest would accrue and borrowers would be required to pay it, but the accrued unpaid interest would not be added to the principal balance of a loan.

Expansion of Loan Discharge and Loan Forgiveness Benefits

The HEA currently makes various loan discharge or forgiveness options available to borrowers under a variety of circumstances. In general, loan discharge is provided in cases of borrower hardship, while loan forgiveness is provided for public service or following IDR plan repayment for an extended time period. H.R. 4674 would expand borrower eligibility for various loan discharge and loan forgiveness options, two of which are described below.

Borrower Defense to Repayment

Among other discharge provisions, the HEA provides that ED shall specify in regulations the “acts or omissions” of an IHE a borrower may assert as a borrower defense to repayment (BDR).²⁶ Regulations that are currently in effect specify the standards and procedures for determining whether a borrower is eligible for a BDR discharge, and newly promulgated regulations scheduled to become effective July 1, 2020, amend those standards and procedures for loans disbursed on or after July 1, 2020.²⁷ Both those regulations currently in effect and those effective July 1, 2020, provide that a borrower may have his or her loan discharged in whole or in part, depending on the circumstances. The regulations that are effective July 1, 2020, are viewed by some as being less beneficial to borrowers than current regulations.²⁸

H.R. 4674 would amend the HEA to more explicitly define the standards under which a borrower would be determined eligible for a BDR discharge; some, but not all, of the BDR standards applicable to loans made prior to July 1, 2020, would be applicable to Direct Loans.²⁹ It would also specify that in general, BDR discharge-eligible borrowers would be entitled to have the full balance of their loan discharged, but that ED may provide partial discharge in certain

²⁶ For additional information about BDR, see CRS Report R44737, *The Closure of Institutions of Higher Education: Student Options, Borrower Relief, and Other Implications*.

²⁷ 34 C.F.R. §685.206(e) (effective July 1, 2020); U.S. Department of Education, Office of Postsecondary Education, “Student Assistance General Provisions and Federal Family Education Loan Program,” 84 *Federal Register* 49788, September 23, 2019.

²⁸ See, for example, *ibid.*, p. 49792.

²⁹ Unlike other CAA provisions that amend the Direct Loan program, CAA provisions relating to BDR do not explicitly state whether the proposed BDR standards would apply to a specific cohort of borrowers (e.g., all Direct Loan borrowers, borrowers as July 1, 2020).

circumstances. Finally, H.R. 4674 would require ED to establish procedures for the fair and timely resolution of BDR claims and would specify elements to be included in such processes, some of which are currently available to pre-July 1, 2020, borrowers, but not to post-July 1, 2020, borrowers.

Public Service Loan Forgiveness

Among other loan forgiveness provisions, the Public Service Loan Forgiveness (PSLF) program provides Direct Loan borrowers who, on or after October 1, 2007, are employed full-time in certain public service jobs for 10 years while making 120 qualifying monthly payments on their Direct Loans with the opportunity to have any remaining balance of the principal and interest on their loans forgiven.³⁰

H.R. 4674 would

- expand PSLF eligibility to new types of employees;
- specify that otherwise qualifying payments made on loans prior to consolidation into a Direct Consolidation Loan and payments made on federal loans refinanced under a newly created Refinanced Direct Loan program (discussed later in this report) would count towards the required 120 qualifying payments; and
- require ED to develop tools aimed at enabling borrowers to more easily determine whether they qualify for PSLF.

Modification to Student Loan Administrative Processes

To administer the Direct Loan program, ED has developed a variety of processes and procedures that in many instances are carried out by ED-contracted loan servicers and collection agencies. These administrative functions often focus on ensuring that borrowers qualify for and receive Direct Loan terms, conditions, and benefits (e.g., repayment under an IDR plan, loan discharge following total and permanent disability).³¹

H.R. 4674 would make a variety of changes aimed at streamlining or enhancing administrative processes for borrowers. Currently, borrowers must actively enroll in or apply for certain loan benefits, such as an IDR plan, or must apply for and provide income documentation to qualify for total and permanent disability discharge. H.R. 4674 would authorize ED to automatically take steps to make such loan benefits available to borrowers, without action from the borrower. For example, the bill would authorize ED to place certain borrowers who are at least 120 days delinquent on their loans, or who are rehabilitating their loan out of default, into the newly created IBR plan and to obtain such income and family size information as is reasonably necessary to calculate such borrowers' monthly payments under the plan. H.R. 4674 would also require ED to establish procedures to automatically recertify and recalculate a borrower's monthly repayments under the IDR plan in which he or she is enrolled, and procedures to automatically monitor a borrower's income for purposes of qualifying for a permanent and total disability loan discharge.³² Finally, H.R. 4674 would require ED to develop a manual of

³⁰ For additional information on PSLF, see CRS Report R45389, *The Public Service Loan Forgiveness Program: Selected Issues*.

³¹ For additional information on student loan servicing, see CRS Report R44845, *Administration of the William D. Ford Federal Direct Loan Program*.

³² On December 19, 2019, the Fostering Undergraduate Talent by Unlocking Resources for Education Act (the FUTURE Act; P.L. 116-91) was enacted. Among other provisions, P.L. 116-91 authorizes the Internal Revenue Service

standardized administrative procedures and policies to be used by ED-contracted loan servicers and collection agencies.

Expansion of Loan Refinancing

Currently, Direct Consolidation Loans allow individuals who have borrowed at least one loan through either the Direct Loan or FFEL program to refinance their eligible federal student loan debt by borrowing a new loan and using the proceeds to pay off their existing federal student loan obligations. Direct Consolidation Loans have fixed interest rates that are determined by calculating the weighted average of the interest rates on the loans that are consolidated, rounded up to the next higher one-eighth of a percentage point. Upon an individual obtaining a Direct Consolidation Loan, a new repayment period begins, which may be for a longer term than applied to the loans originally borrowed. Private education loans are not eligible to be refinanced into a Direct Consolidation Loan.

H.R. 4674 would require ED to establish two new loan refinancing options. One option would permit qualified borrowers to refinance Direct Loan and FFEL program loans into a refinanced Direct Loan. In general, refinanced Direct Loans would have the same terms and conditions as the original loans that were refinanced; however, the refinanced Direct Loans would have a fixed interest rate pegged to specified Direct Loan program interest rates that are in effect for new loans made during the period from July 1, 2019, through June 30, 2020. Such an option could be viewed as more favorable for borrowers who have existing loans with higher interest rates. The interest rates that would be applicable to refinanced Direct Loans are as follows:

- where the loan being refinanced is a FFEL or Direct Loan program Subsidized Loan or Unsubsidized Loan issued to an undergraduate student, 4.53%;
- where the loan being refinanced is a FFEL or Direct Loan program Subsidized Loan or Unsubsidized Loan issued to a graduate or professional student, 6.08%;
- where the loan being refinanced is a FFEL or Direct Loan program PLUS Loan issued to a graduate/professional student or a parent of a dependent undergraduate student, 7.08%; and
- where the loan being refinanced is a FFEL or Direct Loan program Consolidation Loan, the weighted average of the lesser of (1) the interest rates described above, as would be applicable to the original loans (*component loans*) discharged due to consolidation or (2) the original interest rate of the component loan.³³

Obtaining a refinanced Direct Loan would not result in the start of a new repayment period.

The second option would permit qualified borrowers to refinance private education loans into a Federal Direct Refinanced Private Loan. In general, a Federal Direct Refinanced Private Loan would have the same terms and conditions as a Federal Direct Unsubsidized Loan; however, certain student loan forgiveness benefits available for Direct Loan borrowers (e.g., PSLF) would not be included. Federal Direct Refinanced Private Loans would have a fixed interest rate pegged to specified Direct Loan program interest rates that are in effect for new loans made during the

to share relevant tax return information with ED for the purpose of determining a Direct Loan borrower's eligibility for and repayment obligations under IDR plans, and to monitor a Title IV student loan borrower's earnings for purposes of the permanent and total disability loan discharge three-year post-discharge monitoring period.

³³ For component loans that are not FFEL or Direct Loan program loans (e.g., Health Education Assistance Loans), the original interest rate of the component loan would be applied in calculating the weighted average of the FFEL or Direct Loan program component loan.

period from July 1, 2019, through June 30, 2020. The interest rates that would be applicable to Federal Direct Refinanced Private Loans are as follows:

- where the loan being refinanced was borrowed for undergraduate study, 4.53%;
- where the loan being refinanced was borrowed for graduate or professional study, 6.08%; and
- where the loan being refinanced was for both undergraduate study and graduate or professional study, 7.08%.

A Federal Direct Refinanced Private Loan would not count against a borrower's annual or aggregate Direct Loan limits.

Modifying Institutional Accountability Requirements for Receipt of Federal Funds

Currently, the HEA provides for institutional accountability measures through many of its provisions. Some measures address educational accountability, which relates to institutions providing a quality education (e.g., accreditation requirements). Other measures address fiscal accountability, which relates to institutional financial health and whether institutions are good stewards of federal student aid funds. In addition, some laws outside of the HEA seek to hold institutions accountable in other areas. These include, but are not limited to, Title IX of the Education Amendments of 1972 (Title IX), which conditions receipt of federal funds on an institution (or other entity) ensuring it does not discriminate on the basis of sex in educational programs or activities.³⁴

H.R. 4674 would address educational and fiscal accountability requirements, as well as Title IX requirements. The changes discussed below, along with other provisions of H.R. 4674, signal a congressional interest in strengthening accountability requirements across all types of IHEs and their educational programs, in general, while focusing on greater accountability in the Title IV programs, and for proprietary IHEs in particular.

Educational Accountability

Educational accountability relates to attempts to ensure IHEs are providing a quality educational program, and it may be assessed in a variety of ways. H.R. 4674 would address educational accountability in several ways, which largely relate to the Title IV student aid programs.

Accreditation

To participate in the Title IV student aid programs, IHEs must be accredited by an agency that is recognized by ED as a reliable authority regarding the quality of education offered at the IHE.³⁵ The HEA currently specifies the recognition criteria to be used by ED.

In accordance with statute, an accreditation agency's institutional quality evaluation standards must assess, among other items, "student achievement in relation to [an] institution's mission."³⁶

³⁴ For additional information on Title IX, see CRS Report R45685, *Title IX and Sexual Harassment: Private Rights of Action, Administrative Enforcement, and Proposed Regulations*.

³⁵ For additional information on HEA Title IV institutional eligibility requirements, see CRS Report R43159, *Institutional Eligibility for Participation in Title IV Student Financial Aid Programs*.

³⁶ HEA §496(a)(5)(A).

Such evaluation standards may—but are not required to—include, as applicable, course completion, passage of state licensing exams, and job placement rates. While accrediting agencies’ evaluation standards are guided, in part, by such federal requirements, specific standards are adopted by individual agencies and vary among them. Accreditation agencies may also have varying procedures as well. For instance, agencies may have varying definitions for actions taken against IHEs (e.g., warning, probation) and differing policies regarding the information they publicly disclose about the IHEs they accredit.

H.R. 4674 would partially standardize practices among agencies and bring additional transparency to accrediting agency and ED practices in this realm. The bill would newly require accrediting agencies to evaluate specified student educational outcomes (i.e., completion, progress toward completion, and workforce participation), but would permit agencies to establish different measures of such outcomes for different institutions. For example, an agency would be required to evaluate an IHE’s “workforce participation” outcomes, but could measure an IHE’s performance under that outcome by measuring rates of licensure or job placement. H.R. 4674 would also require ED to establish standardized definitions for the various actions accrediting agencies may take and for public notice and disclosure requirements with respect to the actions taken. Finally, the bill would make some changes to the processes ED uses to recognize accrediting agencies, including adding a requirement to make accrediting agencies’ applications for recognition publicly available, and requirements to submit to Congress information relating to ED’s accrediting agency recognition decisions.

Establishment and Revision of Accountability Metrics

H.R. 4674 would establish new Title IV institutional participation accountability metrics. One would measure *on-time repayment rates*—the extent to which students who borrowed Title IV loans to attend an IHE are able to make payments on their loans in a timely manner (i.e., the percentage of borrowers who have paid at least 90% of their monthly payments during a three-year period). Another would measure *instructional spending*—an IHE’s instructional expenditures relative to revenues derived from tuition and fees (i.e., determining if instructional expenditures equal at least one-third of the amount of revenue derived from tuition and fees for each of the three most recent institutional fiscal years). It appears that a presumption behind these measures would be that if an IHE is of sufficient quality, then individuals who borrow to attend it should be able to earn adequate wages to make timely payments on their loans and that the IHE would be spending a reasonable amount of tuition and fees revenues on instruction rather than other items, such as marketing.

Under the bill, the current institutional cohort default rate (CDR) metric, which is applicable to IHEs participating in federal student loan programs and measures the number of an IHE’s federal student loan recipients who enter repayment and subsequently default within a certain period of time, would be phased out. Under current law, an IHE is subject to loss of Direct Loan program eligibility if its CDR is 40% or greater for one year, and is subject to loss of Direct Loan program and Pell Grant program eligibility if its CDR is 30% or greater for three consecutive years.

The CDR metric would be replaced with a new *adjusted cohort default rate*, which would be similar to the current CDR metric, but would also take into account the relative risk an IHE may pose to students and taxpayers by multiplying the CDR by the percentage of students enrolled at the IHE who borrowed Title IV loans. IHEs would be subject to loss of Title IV eligibility if they met one of three separate thresholds: (1) an adjusted CDR that is greater than 20% for each of the three most recent years, (2) an adjusted CDR that is greater than 15% for each of the six most recent fiscal years, or (3) an adjusted CDR that is greater than 10% for each of the eight most recent fiscal years. This structure would penalize IHEs with adjusted CDRs that remain

consistently too high over long periods. Finally, H.R. 4674 would specify that borrowers in forbearance for three or more years would be considered in default for purposes of calculating the adjusted CDR.³⁷ The bill would additionally require ED to establish metrics that would assess the extent to which certain types of sub-baccalaureate educational programs at public and nonprofit IHEs and most educational programs (including degree programs) at proprietary IHEs prepare students for gainful employment in a recognized occupation. In creating the metrics, ED would be required to establish a debt-to-earnings rate meeting specified general criteria to measure gainful employment program enrollees' educational debt relative to their earnings.³⁸

Fiscal Accountability

Fiscal accountability requirements relate to institutional financial health and whether IHEs are good stewards of federal student aid funds. H.R. 4674 would make several changes to current fiscal accountability requirements.

IHEs are required to be financially responsible to participate in the Title IV programs. IHEs that fail to meet certain financial responsibility standards may continue to participate in the Title IV programs only if they meet additional requirements, including posting a letter of credit (a financial guarantee) to ED.

H.R. 4674 would revise the conditions under which IHEs are considered financially responsible. It would expand on the instances in which an IHE may be required to post a letter of credit to ED for continued participation in the Title IV programs. The bill would specify that ED may not consider a private nonprofit or proprietary IHE financially responsible if it is required to submit a teach-out plan to its accreditor or is subject to a specified amount of pending or approved borrower defense to repayment claims. Additional circumstances under which ED would be prohibited from considering a proprietary IHE financially responsible would also be stipulated.

H.R. 4674 would additionally specify the circumstances under which ED would be required to redetermine whether an IHE is financially responsible. Such circumstances would apply to both private nonprofit and proprietary IHEs. They would include instances in which an IHE is required to pay a material debt or liability arising from a judicial, administrative, or judicial proceeding and in which an IHE is involved in a lawsuit for financial relief related to the making of Direct Loans.

H.R. 4674 would also specify circumstances under which ED would be permitted to redetermine whether an IHE is financially responsible, which would be applicable to all types of institutions, including public IHEs. Such circumstances would include a determination that ED will be likely to receive a significant number of borrower defense to repayment claims, a citation by a state authorizing agency for failure to meet state requirements, and high annual dropout rates.

H.R. 4674 would amend the 90/10 Rule, under which proprietary IHEs currently must derive at least 10% of their revenues from non-Title IV sources or lose Title IV eligibility after failure to do so for two consecutive years. The bill would specify that proprietary IHEs must derive at least 15% of their revenues from sources other than federal education assistance funds, which would

³⁷ It has been reported that some IHEs may engage in practices to prevent borrowers from defaulting (e.g., placing their loans in forbearance) during the period for which an IHE's CDR is calculated under the current methodology. Concerns have been raised that such practices may be used to help IHEs lower their CDRs and may undermine the effectiveness of the CDR to hold schools accountable. See, for example, U.S. Government Accountability Office, *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 2018.

³⁸ These new gainful employment metrics could, but would not be required to, be the same as the current gainful employment regulations at 34 C.F.R. Part 668, Subpart Q.

include, but not be limited to, Title IV funds and Post-9/11 GI Bill funds. It would further establish that failure to meet the requirement in a single year would result in an automatic loss of Title IV eligibility.

In addition, the bill would limit marketing, recruitment, advertising, and lobbying expenditures for IHEs that are determined to have spent less than an amount equal to one-third of their tuition and fees revenues on instruction. IHEs that do not limit such spending for two consecutive fiscal years would lose Title IV eligibility.

Title IX of the Education Amendments of 1972

Title IX prohibits discrimination on the basis of sex in education programs and activities receiving federal financial assistance. On November 29, 2018, ED proposed to amend the regulations that implement Title IX to clarify and modify requirements of elementary, secondary, and postsecondary schools regarding incident response, remedies, and other issues.³⁹ H.R. 4674 would prohibit ED from implementing or enforcing the proposed Title IX regulations, or proposing or issuing regulations that are substantially similar to the November 2018 proposed regulations.

Revising Public Accountability, Transparency, and Consumer Information Requirements

The HEA establishes a set of measures related to public accountability, transparency, and consumer information. In general, these provisions are intended to provide information to consumers to enable them to make informed college-going and financial decisions. Currently, the HEA addresses issues related to college affordability and the collection and dissemination of consumer information to students and the public by requiring ED, among other things, to administer the College Navigator website, through which certain consumer information about IHEs is made publicly available, and by requiring IHEs to make Net Price Calculators, a primary consumer information tool authorized under the HEA, available on their websites. Net Price Calculators allow prospective students to obtain individual estimates of the net price of an IHE, taking into account the financial aid they might be likely to receive.

The HEA currently prohibits the creation of a new postsecondary student unit record system (SURS), which could be used to track individual students' financing of their schooling, participation in and completion of academic programs, and post-program outcomes over time. The SURS ban was established in the interest of protecting student privacy and limits the granularity and quality of data available on the outcomes of IHEs' students.

In addition, the HEA currently requires that certain Direct Loan borrowers undergo loan entrance counseling prior to loan disbursement, and that certain borrowers undergo exit counseling after dropping below half-time enrollment. Both of these requirements are intended to help ensure that borrowers are aware of their loan terms and conditions and of the potential consequences of borrowing a student loan.

H.R. 4674 would amend the HEA to take a more expansive approach to public accountability, transparency, and consumer information requirements. Many of these changes represent congressional interest in providing consumers with additional and more-nuanced information,

³⁹ U.S. Department of Education, "Nondiscrimination on the Basis of Sex in Education Programs or Activities Receiving Federal Financial Assistance," 83 *Federal Register* 61462, November 29, 2018.

potentially helping them make more-informed college-going and student loan borrowing decisions.

Perhaps most notably, H.R. 4674 would repeal the current prohibition on the creation of a new SURS and require ED to develop a postsecondary student-level data system to use in evaluating a variety of metrics such as student enrollment, progression, completion, and post-collegiate outcomes (e.g., earnings, employment rates, and loan repayment rates). Summary aggregate information from this system would be made publicly available. H.R. 4674 would also amend provisions relating to Net Price Calculators by requiring IHEs to provide more-detailed information regarding their costs of attendance and estimated aid that may be available to individual students.

The bill would make changes to the information IHEs are required to provide to individuals before and after receipt of federal student aid. For instance, H.R. 4674 would require ED to develop a standardized financial aid offer letter to be used by IHEs, which would enable students to compare financial aid offers from multiple IHEs. It would also require all borrowers to receive counseling in each year that they receive a Title IV student loan to assist them in understanding the terms and conditions of the loan and the potential consequences of accepting such aid.

Expanding Student Services for Specific Populations

In addition to federal student aid, which provides direct financial assistance to individual students that can be applied toward their cost of attendance, the HEA provides additional academic and personal supports to certain student populations. These supports are typically administered through grants to IHEs or other qualified entities. H.R. 4674 would create a number of new programs to support students, and would extend a number of existing programs.⁴⁰

Creation of New Programs

H.R. 4674 would create the following programs:

- **Student Success Fund.** This would be a new program of grants to states or Indian tribes to carry out plans “to implement promising and evidence-based institutional reforms and innovative practices to improve student outcomes” including transfer and completion. States and some tribes would be required to match a portion of the federal grant, with the nonfederal amount increasing to 100% of the federal amount by the ninth year. H.R. 4674 would authorize \$500 million in mandatory appropriations per year for FY2021 and each succeeding fiscal year.
- **Pell Bonus Program.** This would be a new grant program providing support to qualified public and nonprofit IHEs with qualified shares of Pell Grant recipients. IHEs could use the funds for “financial aid and student support services.” Funds would be allotted to institutions based on their relative share of bachelor’s degrees awarded to all Pell Grant recipients. H.R. 4674 would authorize mandatory appropriations of \$500 million per year for FY2021 and each succeeding fiscal year.

⁴⁰ The accounting of programs in this section is illustrative and not intended to be comprehensive.

- **Remedial Education Grants.** This would make funds available to IHEs or applicable partnerships to “improve remedial education in higher education.” Grantees would employ models specified in the legislation and be evaluated on the basis of their programs’ effectiveness in increasing course and degree completion. H.R. 4674 would authorize \$162.5 million in discretionary appropriations per year for FY2021 through FY2026.
- **Grants for Improving Access to and Success in Higher Education for Foster Youth and Homeless Youth.** This would be a new formula grant program to states to (1) develop a statewide initiative to support foster and homeless youth transitioning into postsecondary education and (2) offer subgrants to public and private nonprofit IHEs to improve postsecondary persistence and completion by such students. H.R. 4674 would authorize discretionary appropriations of \$150 million for FY2021 and authorize an inflation-adjusted amount for each year through FY2026.
- **Jumpstart to College.** This would be a new grant program providing funds to states and public and private nonprofit IHEs to establish and support early college or dual and concurrent enrollment programs. H.R. 4674 would authorize \$250 million in discretionary appropriations per year for FY2021 through FY2026.

Extensions of Existing Programs

H.R. 4674 would extend the authorization of a number of existing student support programs. In most, but not all, cases the authorization of appropriations in H.R. 4674 would be above the current law levels.

In terms of the authorized funding level, one of the most substantial extensions is to the TRIO programs, a group of programs that provide grants to IHEs and other organizations to furnish academic support services to disadvantaged students.⁴¹ H.R. 4674 would authorize discretionary appropriations of \$1.12 billion for FY2021 and the authorization level would be adjusted for inflation in each of the five succeeding fiscal years. In FY2019, TRIO appropriations were \$1.06 billion.

In terms of increases to authorization levels relative to the most recent funding level, one of the largest increases would be to the Child Care Access Means Parents in School (CCAMPIS) program, which provides grants to IHEs to promote the participation of low-income parents in postsecondary education through the availability of child care services. H.R. 4674 would authorize \$200 million per year for FY2021 and each of the five succeeding fiscal years. In FY2019, appropriations for this program were \$50 million.

Expanding Federal Assistance to Support to IHEs

The HEA authorizes programs intended to provide grants and other financial support to IHEs that serve high concentrations of minority and/or needy students to help strengthen the IHEs’ academic, administrative, and financial capabilities. Typically, these institutions are called minority serving institutions (MSIs). Among the MSI programs, the HEA authorizes separate grant programs for distinct types of MSIs, including the following:

⁴¹ For additional information on the TRIO Programs, see CRS Report R42724, *The TRIO Programs: A Primer*.

- American Indian Tribally Controlled Colleges and Universities,
- Alaska Native and Native-Hawaiian-serving Institutions,
- Predominantly Black Institutions,
- Native American-serving, Nontribal Institutions,
- Predominantly Black Institutions,
- Asian American and Native American Pacific Islander-serving Institutions,
- Historically Black Colleges and Universities, and
- Hispanic Serving Institutions.⁴²

Many of these MSI programs have been funded through annual discretionary and mandatory appropriations. As of when H.R. 4674 was ordered to be reported, mandatory appropriations, authorized under HEA Section 371, for several of these programs had expired at the end of FY2019. In FY2019, these mandatory appropriations totaled \$239 million.⁴³ H.R. 4674 would permanently authorize mandatory appropriations under HEA Section 371 at a total of \$300 million annually.⁴⁴ It would also extend and increase the authorization of discretionary appropriations for each of the MSI programs through FY2026.

In addition, H.R. 4674 would reauthorize discretionary and mandatory appropriations for several MSI programs that have not received appropriations in several years, such as the Endowment Challenge Grant program, and would create several new grant programs to support MSIs, each supported with discretionary appropriations. H.R. 4674 would also amend and reauthorize through FY2026 a statute outside of the HEA—the Tribally Controlled Colleges and Universities Assistance Act of 1978—which authorizes discretionary appropriations for grants to Tribally Controlled Colleges and Universities.

Creating New Grants to States and Institutions to Reduce Students' Postsecondary Costs (America's College Promise)

H.R. 4674 would create a new HEA, Title IV, Part J. The programs authorized in this part would provide grants to states, Indian tribes, and IHEs, with the primary focus of eliminating or reducing tuition and fees at community colleges and other postsecondary institutions.

⁴² For additional information on the various MSI programs, see CRS Report R43237, *Programs for Minority-Serving Institutions Under the Higher Education Act*.

⁴³ U.S. Department of Education, FY2019 Budget Tables.

⁴⁴ On December 19, 2019, the Fostering Undergraduate Talent by Unlocking Resources for Education Act (the FUTURE Act; P.L. 116-91) authorized \$255 million in mandatory appropriations under Section 371 for FY2020 and “each fiscal year thereafter.”

Grants to Support Tuition-Free Community College

H.R. 4674 would authorize new grants to states to support community colleges⁴⁵ in waiving tuition and fees for eligible students. Qualified Indian tribes would also be eligible.⁴⁶

The program would define an *eligible student* as a student who attends a community college on a not less than half-time basis, either qualifies for in-state resident community college tuition or would qualify for in-state community college tuition but for his or her immigration status, and meets certain other criteria. A student would not need to meet financial criteria to qualify as an eligible student.

Funding, Allotments, and Nonfederal Share

H.R. 4674 would provide permanent mandatory appropriations beginning in FY2021. The funding level would incrementally increase from \$1,569,700,000 in FY2021 to \$16,296,080,000 in FY2030. Mandatory appropriations would be provided at the FY2030 level in succeeding years.

Funds would be allocated to states via a formula. The bill would direct ED to develop a formula based on each participating state's share of eligible students and other factors. Each participating state would be eligible to receive, on a per eligible student basis, an amount equal to at least 75% of the national average resident community college tuition and fees.⁴⁷ States would be required to provide, on a per eligible student basis, a nonfederal share equal to 25% of the national average resident community college tuition and fees.

Requirements for Participating States

As a condition of receiving a grant under this program, a state would be required to waive tuition and fees for eligible students attending community colleges within the state. An eligible student would be allowed to use other financial aid for which he or she qualifies, such as Pell Grants, for other components of the cost of attendance, such as housing and transportation.

To prevent state and local disinvestment in community colleges, H.R. 4674 would require that funds under this grant supplement and not supplant other federal, state, and local funds. The program would include maintenance of effort requirements that would require participating states to provide financial support equal to or greater than the average amount provided in the three preceding years for public higher education; operational expenses for public, four-year colleges; and need-based financial aid.

⁴⁵ The bill defines community colleges as “a public institution of higher education at which the highest degree that is predominantly awarded to students is an associate’s degree, including 2-year tribally controlled colleges under Section 316 [of the HEA] and public 2-year State institutions of higher education.”

⁴⁶ In many cases, similar requirements would apply to states and Indian tribes. In the interest of brevity and focusing on the entities that are likely to be the largest recipient of grants, this report focuses on provisions as they would apply to states. In most instances where the provisions for states and Indian tribes differ, the requirements for Indian tribes are less stringent.

⁴⁷ In the 2021-2022 award year, this would be based on “the most recent year for which data are available.” Subsequent years would be based on the lesser of an inflation-adjusted calculation of the prior year or 3%.

Grants for Historically Black Colleges and Universities, Tribally Controlled Colleges and Universities, and Minority-Serving Institutions to Reduce or Waive Tuition

H.R. 4674 would create three new programs that would provide grants to each of (1) Historically Black Colleges and Universities (HBCUs), (2) Tribally Controlled Colleges and Universities (TCCUs), and (3) Minority-Serving Institutions (MSIs) to “waive or significantly reduce tuition and fees for eligible students ... for not more than the first 60 credits an eligible student enrolls at the participating institution.” Grants would be available to four-year institutions of each type and would not require a nonfederal match.

An institution’s grant would equal the actual cost of tuition and fees at the institution (not to exceed the national average tuition and fees at a public four-year IHE), multiplied by the number of eligible students enrolled at the institution. Eligible institutions would be HBCUs, TCCUs, and MSIs that have a student body of at least 35% low-income students⁴⁸ and meet other criteria related to student services and supports. Eligible students would include new enrollees or transfers from a community college.

H.R. 4674 would provide permanent mandatory funding beginning in FY2021. The funding level would incrementally increase from \$63,250,000 in FY2021 to \$1,626,040,000 in FY2030. Mandatory appropriations would be provided at the FY2030 level in succeeding years.

Additional Grants

H.R. 4674 would authorize discretionary appropriations for such sums as necessary in FY2021 and each succeeding fiscal year to support additional new grant programs. First, the bill would create a new series of formula grants to states to provide grants to individual students with unmet financial need. These grants would initially be available to Pell Grant recipients at public IHEs. Once all eligible Pell Grant recipients received grants, the aid would be extended to other students at public IHEs. ED would also be authorized, under certain circumstances, to carry out a similar grant program for students at private nonprofit IHEs.

The bill would authorize another grant program for states to award grants to participating four-year IHEs to waive resident tuition and fees in cases where all eligible students have received the above grants for unmet need.

Both sets of programs would generally have a federal share of 75% and a nonfederal share of 25%.

⁴⁸ For the purposes of this program, H.R. 4674 would define a low-income student as a student who is eligible for a Pell Grant or “a student ineligible for a Federal Pell Grant under section 401 who is determined by the institution to be a low-income student based on an analysis of the student’s ability to afford the cost of attendance at the institution.”

Author Information

Alexandra Hegji
Analyst in Social Policy

Benjamin Collins
Analyst in Labor Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.